



STATE OF HAWAII  
DEPARTMENT OF HUMAN SERVICES  
P. O. Box 339  
Honolulu, Hawaii 96809-0339

**LATE**

February 11, 2015

**MEMORANDUM**

TO: The Honorable Dee Morikawa, Chair  
Committee on Human Services

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 1432 - INTERIM ASSISTANCE REIMBURSEMENT SPECIAL FUND**

Hearing: Thursday, February 12, 2015, 10:00 a.m.  
Conference Room 329, State Capitol

**PURPOSE:** The purpose of this bill is to establish the Interim Assistance Reimbursement Special Fund into which reimbursements received from the Social Security Administration will be deposited for state-funded financial assistance payments and programs to assist individuals to qualify for supplemental security income.

**DEPARTMENT'S POSITION:** The Department of Human Services (DHS) strongly supports this measure.

In accordance with section 346-57, Hawaii Revised Statutes (HRS), state-funded financial assistance is paid to qualified General Assistance (GA), Aid to Aged, Blind and Disabled (AABD) and Temporary Assistance for Other Needy Families (TAONF) state-funded program recipients while their applications for federal Supplemental Security Income (SSI) benefits is pending a determination by the federal Social Security Administration (SSA).

The average length of time for an initial SSI determination takes thirty days to three months. If the SSI application is denied, a request for reconsideration is filed that could add an additional sixty days until a decision is rendered. If the reconsideration is denied, a request for a disability hearing is filed; the administrative law judge presides over the disability hearing. The disability hearing process may take an additional twelve months or more.

When an application for SSI is approved, the SSA will retroactively reimburse Hawaii for the state-funded assistance provided to the applicant. If the Interim Assistance Reimbursement (IAR) from the SSA is received in the same fiscal year in which the state-funded benefits were paid, the DHS is allowed to retain the amount and the amount is put back into, primarily, the GA program allotment.

However, in the majority of cases, the IAR is not received in the same fiscal year in which the state-funded benefits were paid. In these cases, the DHS is not allowed to retain the IAR received for a prior fiscal year and is required to deposit the IAR for a prior fiscal year into the general fund. If DHS were allowed to retain these IAR funds, or the funds could be placed in a special fund as proposed, the DHS could potentially sustain the GA program through increases in caseload and the DHS would avoid having to make requests for emergency appropriations.

Pursuant to section 346-53(b), HRS, the GA program is a block grant program. The DHS must adjust GA payments to remain within the GA appropriation when caseloads increase or decrease. The GA program is the largest of the three programs in which recipients apply for SSI benefits, and therefore the GA program receives the largest IAR amount.

In State Fiscal Year (SFY) 2014, the State received IAR totaling \$2,127,257, of which \$761,528 was retained by the DHS for state-funded benefits paid, and \$1,365,729 lapsed to the general fund. In SFY 2013, the State received IAR totaling \$1,679,716, of which \$623,496 was retained by the DHS for state-funded benefits paid, with \$1,056,220 lapsing to the general fund.

In SFY 2012, the State received IAR totaling \$1,529,409, of which \$632,074 was retained by the DHS for state-funded benefits paid, with \$897,335 lapsing to the general fund.

The DHS currently has an emergency appropriation for the GA program (HB938, HD1/SB1107) before the legislature. In recent years the DHS has had to request emergency appropriations for the GA program with the previous request in SFY 2012.

For SFY 2012, the payment level began at \$353, but due to caseload increases the benefit payment amount was reduced to \$319 in October 2011. The benefit payment would have been reduced further to \$275 in April 2012 without the approval of an emergency appropriation of \$736,478 in general funds by the 2012 Legislature. Had the DHS been able to retain the \$897,335 that lapsed to the general fund, the emergency appropriation of \$736,478 to maintain and stabilize payment levels for fiscal year 2012 would not have been necessary.

For SFY 2013, the payment level began at \$319. A projected rise in the caseload required a reduction in the monthly benefit to \$298 in February 2013. An emergency appropriation was not requested and the monthly benefit amount remained at \$298 for the rest of the fiscal year.

For SFY 2014, the monthly benefit payment began at \$298 and was readjusted upward to \$319 in October 2013 based on a slight decline in caseload. The monthly benefit payment was adjusted upward to \$348.00 in April 2014.

For SFY 2015, the payment level began at \$348 serving 5,616 clients. The caseload has been increasing at an average rate of 1.192% since the beginning of the current fiscal year and the caseload reached 5,812 in December 2014. In order to maintain the payments at the current level of \$348 through the close of the fiscal year, the Governor submitted the current request for emergency appropriation (HB938, HD1/SB1107) for \$2,514,822.

The necessity for the reductions and fluctuations in benefit payments contribute to the instability of households who already live far below poverty levels. Reducing the amount of the

benefit payment for these individuals poses a real threat to the individuals' health and safety. It is also almost certain to trigger increased homelessness.

To stabilize payments to beneficiaries at a equitable benefit amount and to reduce the future need for emergency appropriations for the GA program, this bill proposes to allow the DHS to retain the IAR from prior fiscal years in a new special fund, designated as the IAR special fund, to be used by the DHS for state-funded financial assistance programs.

The \$1,056,219 which lapsed to the general fund in SFY 2013 would have allowed the DHS to increase monthly payments to \$325 and avert the reduction to \$298 that occurred in February 2013. If a similar reimbursement were to be applied to the SFY 2014 caseload which has experienced a slight decline, a payment increase to \$337 would have been possible.

Although the DHS does not anticipate a significant amount of funding that would carryover to subsequent fiscal years, as these funds will likely be utilized annually to avert reductions when caseloads rise or if there is an increase to the standard of assistance. The DHS recommends that this special fund be limited to a carryover of no more than \$3,000,000 in a given fiscal year, and any carryover balance in excess of \$3,000,000 shall be lapsed to the general fund. Upon dissolution of the IAR special fund, any unencumbered moneys in the fund shall lapse to the general fund.

Further, the DHS may report to the Legislature detailing the amount and basis for the expenditure, within a reasonable time of a transfer of funds out of the special fund.

Thank you for the opportunity to provide comments on this bill.

TESTIMONY BY WESLEY K. MACHIDA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HUMAN SERVICES  
ON  
HOUSE BILL NO. 1432

**LATE**

February 12, 2015

RELATING TO THE INTERIM ASSISTANCE REIMBURSEMENT SPECIAL FUND

House Bill No. 1432 establishes the Interim Assistance Reimbursement Special Fund into which shall be deposited reimbursements received from the Social Security Administration on behalf of recipients who have been retroactively approved for supplemental security income after receiving State-funded interim assistance payments.

The Department of Budget and Finance (B&F) defers to the Department of Human Services regarding the technical issues and merits of the bill. However, as a matter of general policy, B&F does not support the creation of any special fund which does not meet the requirements of Section 37-52.3 of the HRS. Special or revolving funds should: 1) reflect a clear nexus between the benefits sought and charges made upon the users or beneficiaries of the program; 2) provide an appropriate means of financing for the program or activity; and 3) demonstrate the capacity to be financially self-sustaining. In regards to House Bill No. 1432, it is difficult to determine whether there is a clear nexus between the benefits sought and the source of funding, and whether the fund will be self-sustaining.

I encourage the Legislature to review the fiscal and operational plan for this fund to ensure that it does conform to the requirements of Section 37-52.3, HRS.

# UNIVERSITY OF HAWAII

Bridge to Hope  
Serving UH Welfare Recipient Students

Date: February 10, 2015

To: HOUSE Committee on HUMAN SERVICES  
Rep. Dee Mroikawa, Chair  
Rep Bertrand Kobayashi, Vice-Chair

From: Teresa Bill, Univ. Hawai'i Bridge to Hope Coordinator  
Ph: 956-9313

Re: Supporting HB1432, Relating To Interim Assistance Reimbursement  
Thurs Feb. 12, 2015 10:00 a.m. Room 329

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I am Teresa Bill, **testifying in support of HB 1432** establishing a special fund within the Dept. of Human Services for the reimbursements from the Federal Government when DHS clients have been successfully transitioned to Social Security Disability.

Currently, any reimbursement goes to the General Fund, but establishing such a special reimbursement fund would allow DHS to supplement and stretch the General Assistance Block Grant to maintain the already minimal payments of \$348.

Stretching the General Assistance Block Grant through the rise & fall of caseloads is quite the juggling act. As a member of the Dept. of Human Services' Financial Assistance Advisory Council I have been part of very difficult discussions about how to reduce monthly payments once it becomes clear the funds will not stretch to June. It is not pleasant. This session, DHS submitted a request for an emergency appropriation to avoid such a cut. Having this special fund and using reimbursements to the Dept. would eliminate the recurring need for emergency appropriations. As detailed in the bill, if DHS had been able to retain the \$897,000 reimbursed to the General Fund in 2012, it would not have needed the emergency appropriation it sought in 2012.

I know the Dept. of Human Services attempts to address the block grant shortfalls as best they can, and the Dept. has identified this legislation as a means to stretch funds intended for General Assistance recipients, (disabled adults without dependents).

Thank you for this opportunity to testify.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

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TO: Representative Dee Morikawa, Chair  
Representative Bertrand Kobayashi, Vice Chair  
Members, Committee on Human Services

FROM: Scott Morishige, Executive Director, PHOCUSED

HEARING: **Thursday, February 12, 2015 at 10:00 a.m. in Conf. Rm. 329**

**Testimony in Support of HB1432, Relating to the Interim Assistance Reimbursement Special Fund.**

Thank you for the opportunity to provide testimony in **support** of HB779, which would address fluctuations in the amount of General Assistance payments made to disabled individuals by establishing the Interim Assistance Reimbursement Special Fund to allow the Department of Human Services (DHS) to retain interim assistance reimbursements received for a prior fiscal year, as opposed to the current requirement that these funds be deposited into the general fund. PHOCUSED is a nonprofit membership and advocacy organization that works together with community stakeholders to impact program and policy change for the most vulnerable in our community, including the disabled and recipients of public assistance.

Many of our member organizations serve individuals who receive general assistance (GA) benefits from the State's Department of Human Services (DHS). GA is a benefit awarded to individuals with a disability that prevents them from being able to work, and who often have no or very little income. However, GA is a block grant program and, as a result, DHS must adjust GA payments to remain within the GA appropriation when caseloads increase or decrease. For FY2014-2015, DHS is projecting that GA benefits may need to be decreased from \$348 per month to as low as \$150 per month if additional funds are not received.

HB1432 would provide a mechanism to for DHS to stabilize GA payment amounts and avoid having to routinely reduce benefits when caseloads increase. Specifically, this bill would enable DHS to retain funds reimbursements from the Social Security Administration for benefits that public assistance recipients received while their applications for Supplemental Security Income (SSI) are pending. Currently, DHS is not able to retain reimbursements received for a prior fiscal year, and these funds are instead deposited into the State general fund. By retaining the reimbursements, DHS will be able to use the funds in the special fund to supplement state funded programs, such as GA, to avoid reductions in benefits when caseloads rise.

It is critical that the State provide DHS with the tools needed to prevent disruption in benefits to GA recipients, who are disabled and are among our state's most vulnerable residents. A disruption in benefits for those on GA could mean the difference between being housed and homeless, and could cause detrimental impacts on an individuals' health.

Once again, PHOCUSED urges your support of this bill. If you have any questions, please do not hesitate to contact PHOCUSED at 521-7462 or by e-mail at [admin@phocused-hawaii.org](mailto:admin@phocused-hawaii.org).